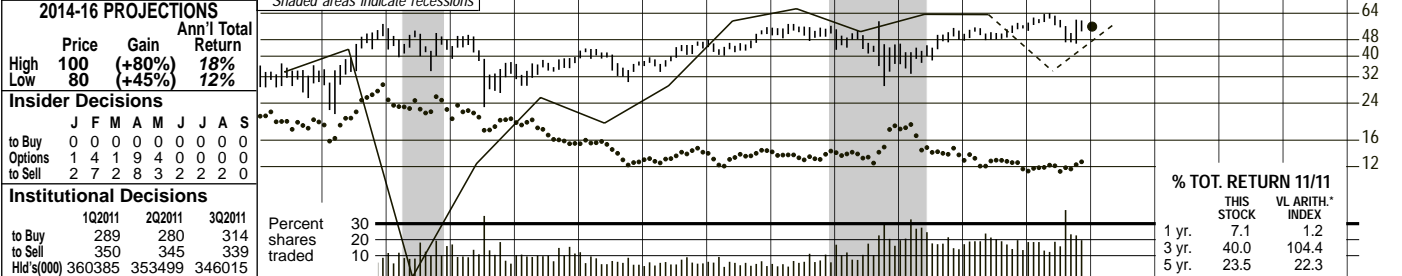


# THE TRAVELERS CO NYSE-TRV

RECENT PRICE **55.35** P/E RATIO **10.1** (Trailing: 15.1 Median: 11.0) RELATIVE P/E RATIO **0.71** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS <b>4</b> Lowered 7/29/11	High: 57.0	54.4	50.6	39.7	43.6	47.0	55.0	57.0	58.6	54.5	57.6	64.2							Target Price Range
SAFETY <b>1</b> Raised 9/16/11	Low: 21.3	34.0	23.0	29.0	30.2	33.7	40.2	47.3	28.9	33.1	47.3	46.0							2014 2015 2016
TECHNICAL <b>5</b> Lowered 12/16/11	LEGENDS — 10.0 x Earnings p sh ···· Relative Price: Strength 2-for-1 split 5/98 Options: Yes Shaded areas indicate recessions																		
BETA .85 (1.00 = Market)																			



2014-16 PROJECTIONS		© VALUE LINE PUB. LLC 14-16																				
Price	Gain	Ann'l Total Return	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 <sup>F</sup>	2005	2006	2007	2008	2009	2010	2011	2012	P/C Prem Earned p sh <sup>A</sup>	73.60
High <b>100</b>	<b>(+80%)</b>	<b>18%</b>	23.61	26.73	27.57	29.71	23.51	27.20	35.14	32.58	30.72	28.40	29.34	30.61	34.20	36.88	41.16	49.31	<b>54.70</b>	<b>60.00</b>	Investment Inc p sh	10.20
Low <b>80</b>	<b>(+45%)</b>	<b>12%</b>	4.59	4.85	5.29	6.78	6.92	7.45	5.86	5.15	4.89	3.97	4.56	5.19	5.99	4.77	5.34	7.04	<b>7.15</b>	<b>7.50</b>	Underwriting Inc p sh	4.40
Insider Decisions																						
Institutional Decisions																						
CAPITAL STRUCTURE as of 9/30/11																						
Leases, Uncapitalized \$159 mill.																						
Pension Assets 12/10-\$2342 mill.																						
Pfd Stock None																						
Common Stock 412,773,299 shs.																						
MARKET CAP: \$22.8 billion (Large Cap)																						
FINANCIAL POSITION 2009 2010 9/30/11 (\$MILL)																						
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16																						
Cal-endar		NET PREMIUMS EARNED (\$ mill.) <sup>A</sup>																Full Year				
2008		5340 5357 5448 5434																21579				
2009		5301 5353 5421 5343																21418				
2010		5230 5340 5422 5440																21432				
2011		5371 5503 5605 <b>5666</b>																<b>22145</b>				
2012		<b>5725 5750 5800 5835</b>																<b>23110</b>				
Cal-endar		EARNINGS PER SHARE <sup>B</sup>																Full Year				
2008		1.61 1.50 .55 1.58																5.24				
2009		1.34 1.25 1.61 2.12																6.32				
2010		1.22 1.39 1.81 1.89																6.31				
2011		1.89 d.91 .79 <b>1.63</b>																<b>3.40</b>				
2012		<b>1.50 1.55 1.35 1.40</b>																<b>5.80</b>				
Cal-endar		QUARTERLY DIVIDENDS PAID <sup>C</sup>																Full Year				
2007		.26 .29 .29 .29																1.13				
2008		.29 .29 .29 .30																1.17				
2009		.30 .30 .33 .33																1.26				
2010		.36 .36 .36 .36																1.44				
2011		.41 .41 .41																				

CAPITAL STRUCTURE as of 9/30/11		© VALUE LINE PUB. LLC 14-16																							
Total Debt \$6604 mill. Due in 5 Yrs \$3280 mill. (21% of Cap'l)	Leases, Uncapitalized \$159 mill.	Pension Assets 12/10-\$2342 mill.	Pfd Stock None	Common Stock 412,773,299 shs. as of 10/14/11	MARKET CAP: \$22.8 billion (Large Cap)	FINANCIAL POSITION 2009 2010 9/30/11 (\$MILL)	ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16	Cal-endar	NET PREMIUMS EARNED (\$ mill.) <sup>A</sup>	Full Year	Cal-endar	EARNINGS PER SHARE <sup>B</sup>	Full Year	Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>	Full Year	Cal-endar	NET PREMIUMS EARNED (\$ mill.) <sup>A</sup>	Full Year	Cal-endar	EARNINGS PER SHARE <sup>B</sup>	Full Year	Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>	Full Year
7296.0	102.5%	26.4%	d28.9%	--	d1009	6.1%	38321	5114.0	NMF	NMF	5.0%	1.61	2008	.26	2007	.26	2008	5340	21579	2008	1.61	5.24	2008	.26	1.13
7390.0	81.1%	28.8%	d9.9%	15.0%	289.8	5.7%	39920	6635.0	NMF	NMF	5.7%	1.34	2009	.29	2007	.29	2009	5301	21418	2009	1.34	6.32	2009	.29	1.17
7039.0	73.7%	29.1%	d2.8%	18.2%	623.8	5.5%	39563	6225.0	NMF	NMF	3.2%	1.22	2010	.30	2007	.29	2010	5230	21432	2010	1.22	6.31	2010	.30	1.26
19038	81.1%	28.6%	d9.7%	6.0%	1195.0	5.0%	11815	21201	NMF	NMF	6.4%	1.89	2011	.36	2007	.29	2011	5371	22145	2011	1.89	3.40	2011	.36	1.44
20341	73.4%	29.4%	d2.8%	22.9%	2047.4	5.2%	113761	22303	NMF	NMF	13.9%	1.50	2012	.41	2007	.29	2012	5725	23110	2012	1.50	5.80	2012	.41	1.44
20760	59.0%	31.2%	d9.8%	26.7%	4187.4	5.4%	115224	25135	NMF	NMF	14.2%	1.89			2007	.29									
21470	57.7%	31.5%	d10.8%	25.6%	4509.6	4.3%	109751	26616	NMF	NMF	9.7%	1.39			2007	.29									
21579	60.2%	31.5%	d8.3%	23.2%	3174.5	4.0%	109650	25319	NMF	NMF	10.7%	1.22			2007	.29									
21418	57.9%	31.9%	d10.2%	23.0%	3616.4	4.6%	105181	27415	NMF	NMF	9.4%	1.39			2007	.29									
21432	61.1%	32.7%	d6.2%	24.1%	3066.0	4.7%	107350	25475	NMF	NMF	3.0%	1.50			2007	.29									
<b>22145</b>	<b>73.0%</b>	<b>32.5%</b>	<b>d5.5%</b>	<b>20.0%</b>	<b>1375</b>	<b>4.5%</b>	<b>107350</b>	<b>25250</b>	NMF	NMF	<b>6.0%</b>	<b>1.50</b>			2007	.29									
<b>23110</b>	<b>65.0%</b>	<b>32.0%</b>	<b>3.0%</b>	<b>20.0%</b>	<b>2235</b>	<b>4.7%</b>	<b>109000</b>	<b>25725</b>	NMF	NMF	<b>29%</b>	<b>1.40</b>			2007	.29									
P/C Premiums Earned <sup>A</sup>	Loss to Prem Earned	Expense to Prem Writ	Underwriting Margin	Income Tax Rate	Net Profit (\$mill)	Inv Inc/Total Inv	Total Assets (\$mill)	Shr. Equity (\$mill)	Return on Shr. Equity	Retained to Com Eq	All Div'ds to Net Prof														
26500	64.0%	30.0%	6.0%	25.0%	3240	6.0%	115000	30000	11.0%	8.5%	29%														

**BUSINESS:** The Travelers Companies, Inc. (formerly St Paul Travelers) is a leading provider of commercial property/casualty insurance and asset management services. Following the April 1, 2004 acquisition of Travelers, the company is now a leading underwriter of homeowners insurance and automobile insurance through independent agents. USF&G was another notable acquisition, which was purchased in April of 1998. Has approximately 32,000 employees. Officers and directors own approximately 1.4% of common stock outstanding (4/11 proxy). Chief Executive Officer and President: Jay S. Fishman. Incorporated: Minnesota. Address: 485 Lexington Ave, New York, NY 10017. Telephone: 917-778-6000. Internet: www.travelers.com.

**Travelers posted third-quarter earnings that were below our estimate and the year-earlier figure.** Although the news doesn't look to be encouraging at first blush, deeper analysis reveals that the company's underlying dynamics remain relatively sound. More precisely, the insurer reported operating earnings, which excludes capital gains and losses from the investment portfolio of \$0.79, which compares unfavorably to our \$1.35 expectation and the year-earlier tally of \$1.81. However, the September interim was hindered by a large number of weather-related catastrophes, which added 860 basis points to the combined ratio. This line item came in at 104.5% for the quarter, a nearly 14% deterioration from last year's comparable figure. This means that Travelers lost about 4.5% for every \$100 in policies that it underwrote.

**We now look for earnings of \$3.40 a share for this year, a \$0.60 reduction from our assumption three months ago.** Although we have shaved a few pennies from our fourth-period expectation, the majority of the decrease reflected the September period's storm activity. Travelers' underlying fundamentals are in fairly good condition. Net premiums earned roughly matched our estimate in the third quarter, as new business wins and pricing gains in some product segments helped profits. Furthermore, net investment income decreased mid-single-digits relative to last year, which isn't that concerning, given that bond yields are near all-time lows and the overall economic recovery is quite uneven. Furthermore, reserves to estimated losses appear to be at solid levels, which augurs well for the future.

**We are cautiously optimistic about the 3- to 5-year pull.** It appears likely that the industry behemoth will benefit once the economy perks up and conditions improve in the broader insurance industry. We believe it can offer better terms and conditions compared to many of its competitors due to its great size.

**Travelers stock has gained some ground since our September review.** Still, total return prospects to 2014-2016 are worthwhile at the recent price. However, TRV stock is ranked to trail the year-ahead market averages.

Alan G. House  
December 16, 2011

(A) P/C only. (B) Dil. egs. Excl. cap gains and losses after '02. Excl. nonrec. (charges)/gains in '96, ('99); '97, ('37); '98, (\$2.01); '99, ('28); '02, ('18c); '06, 3c; '07, 14c; '08, (42c); '09, 1c; '10, 31c. Excl. losses from disc. ops.: '99, 35c; '00, 8c; '01, 38c; '02, 12c; '03, 7c; '04, 62c. Excl. extra. losses: '02, 3c; '03, 9c. Next egs. rpt. early Feb. (C) Div'ds. paid in late March, June, Sept., Dec. Excl. spec. div'ds of 21c/sh. paid 4/04 and 3/04. ■ Div'd reinv. plan avail. (D) Intang. '10: \$6,142 mill., \$14.13/sh. (E) In mill. adj. for split. (F) St Paul only until '04.	Company's Financial Strength	A
	Stock's Price Stability	90
	Price Growth Persistence	55
	Earnings Predictability	60